

**COMPLIANCE RISK MONITORING
& MANAGEMENT SERVICE**



The Tax Man doesn't care if you're a big or small company - a start-up or Fortune 500 enterprise. Whether your revenue generates \$10,000 in monthly taxes, or a mere \$1, by law, the Tax Man must be paid every penny of taxes due!

But what if it costs the same, fixed cost to prepare and remit tax returns for the big company owing \$10,000 a month in taxes as it costs a small company to bill, collect and file tax returns to remit \$1 in taxes?

What if it costs \$50, \$100, even \$250 or more in annual compliance costs, just to report and remit \$10 in annual taxes in a particular state or local jurisdiction?

Now consider the fixed compliance costs when selling in dozens, potentially hundreds of local jurisdictions across the

country, where your annual exposure to unpaid taxes is a few dollars here and there?

Is your company willing to spend twice as much to maintain prophylactic compliance starting on Day 1 as it would cost to remediate non-compliance in a year or two? How about five or ten times as much?

What is a small company supposed to do if the "Cost of Compliance" imposes a competitive disadvantage at a time in its business life cycle when it needs every little competitive edge the most? What does a small business do when faced with the dilemma of wanting to comply strictly with all tax laws throughout the U.S., but unable to afford the materially disproportionate cost of compliance that its larger competitors can more easily absorb?

The Compliance Group has the answer!

Our **Compliance Risk Monitoring & Management Service** combines the tax & fee calculation infrastructure and data delivered by industry-leading tax calculation provider, CCH SureTax™, with the experience of our skilled regulatory consultants and tax partners to deliver a one-of-a-kind solution that will allow your small company to conserve compliance costs and invest in growth, all while managing the risks of "conscious" non-compliance and controlling your company's exposure to future remediation costs.*

Knowledge is Power

A founding father once said, "knowledge is power" (thanks T.J.). We couldn't agree more, which is why we think that:

- Knowledge of the risks of non-compliance and likelihood of enforcement **plus**
- Knowledge of the remediation processes **plus**
- Knowledge of the costs of proactive compliance as compared to compliance remediation **plus**
- Knowledge that we possess the best, most accurate tax and regulatory fee data at our fingertips thanks to our strategic relationship with CCH SureTax™ **equals:**



THE POWER TO:

- **Help your company manage its exposure to risk.**
- **Assert control over the remediation process by being proactive, instead of reactive.**
- **Time your investment in compliance to coincide with your company's success in the heavily regulated and taxed communications services industry.**

The *Compliance Group's* **Compliance Risk Monitoring & Management Service** combines expert knowledge with hard data to give your company the power to control its compliance future.

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Our Revolutionary Approach

The *Compliance* Group uses a top-down approach to calculating your level of risk exposure associated with non-compliance* with federal, state, or local tax laws and regulations.

Don't Mess with the FCC!

The vast majority of regulated communications service providers face the greatest risk of exposure and remediation costs in relationship to the rules and regulations of the Federal Communications Commission ("FCC"), in particular the federal Universal Service Fund ("USF") and Telecommunications Relay Services ("TRS") Fund programs. With contribution factors ranging from 15-18% for USF, as compared to lower state tax rates, USF compliance is often the driving force in implementing a compliance program. And, in contrast to state and local taxation, there is neither a voluntary disclosure process nor amnesty opportunities associated with non-payment of USF or other FCC program contributions.¹ Furthermore, the current [USAC audit process](#) and [FCC enforcement policies](#) and procedures create an environment that commands risk aversion and strict compliance.

Because of the high-risk/high-remediation costs that come with FCC and USF non-compliance (and the relatively low cost of compliance), The *Compliance* Group automatically includes Managed FCC Compliance & Reporting Services with all Compliance Risk Monitoring & Management Service arrangements.

The message is simple. We don't mess with the FCC, and neither should you!

Monitor and Manage State & Local Compliance – Then Act. Don't Wait to React.

While not universally true, compliance with regulatory and tax obligations at the state and local levels is generally less rigid and more suitable to "risk management."

This is where The *Compliance* Group's **Compliance Risk Monitoring & Management Service** comes into play.

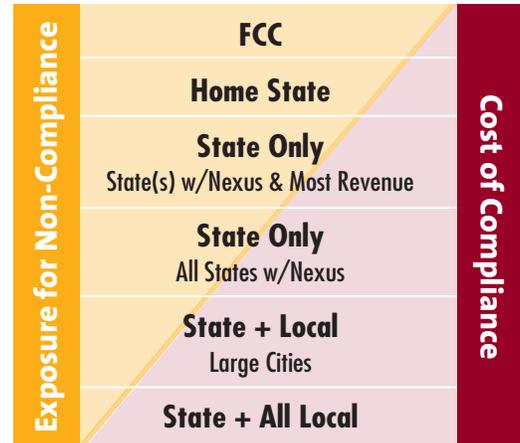
How Does it Work?

Our **Compliance Risk Monitoring & Management Service** combines the Tax & Fee data provided by industry-leading tax calculation solution provider, CCH SureTax™, with the expert knowledge of our regulatory compliance professionals and tax compliance partners to assess compliance risks in jurisdictions across the U.S. Each quarter, The *Compliance* Group will deliver a customized **Risk Assessment Report** that will identify HIGH RISK, MODERATE RISK, and LOW RISK jurisdictions where clients have made "conscious" non-compliance decisions. At the same time, we proactively implement measures designed to remediate non-compliance in all HIGH RISK areas in order to minimize financial exposure and to ensure prospective compliance thereafter through our flat-fee **Compliance & Reporting Services**. Such remediation measures may include initiation of a voluntary disclosure process, pursuit of amnesty, and/or other jurisdictionally available and appropriate steps.

Risk Assessment Report

Your Company's risk exposure in each jurisdiction is filtered through a **Cost of Compliance vs. Cost of Remediation** calculus and presented in a three-tier, color-coded system. Our quarterly **Risk Assessment Reports** include our evaluation of the cost and benefits of initiating or delaying tax and regulatory compliance at the state and local levels based on pre-determined data points, our expert knowledge, and other company-specific considerations.*

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¹ Our affiliated law firm, The *CommLaw* Group, [petitioned the FCC](#) to adopt an amnesty program, but, like many USF-related requests to the FCC, the petition has thus far been [ignored](#).

The **Risk Assessment Report** depicts the Costs and Benefits of prophylactic compliance at the extremes. At the one extreme: *investing in compliance now to avoid spending to mitigate the consequences of non-compliance later*. And at the other extreme: *saving on compliance now, but planning and preparing to spend to address mitigation and corrective measures later*.*

The **Risk Assessment Report's "three-tier" system** is comprised as follows:

- **"Green Zone"** (Lowest Risk)
- **"Yellow Zone"** (Moderate Risk)
- **"Red Zone"** (Highest Risk)

The **"Green Zone"** illustrates taxable revenue and the associated taxes owed on a jurisdiction-by-jurisdiction basis where the cost of compliance is likely to outweigh the risk, consequences, and estimated cost of remediation.

The **"Yellow Zone"** demonstrates the same factual information about likely exposures where the cost of compliance is likely to exceed the cost of remediation.

Finally, the **"Red Zone"** details the jurisdictions where making the investment in prospective compliance makes economic sense in light of the cost of remediating prior non-compliance and avoiding future exposure due to continued non-compliance.

- RISK MANAGEMENT ASSESSMENT REPORT KEY -

- GREEN -	- YELLOW -	- RED -
COST OF COMPLIANCE > COST OF REMEDIATION	COST OF COMPLIANCE ≈ COST OF REMEDIATION	COST OF COMPLIANCE < COST OF REMEDIATION
<i>Your likely exposure to uncollected/unpaid taxes & fees associated with "conscious" non-compliance is less than estimated monthly cost of compliance</i>	<i>Your likely exposure to uncollected/unpaid taxes & fees associated with "conscious" non-compliance is roughly the same as estimated monthly cost of compliance</i>	<i>Your likely exposure to uncollected/unpaid taxes & fees associated with "conscious" non-compliance is more than the estimated monthly cost of compliance</i>
<p>Per the terms and conditions of your Agreement with The <i>Compliance Group</i>, you authorize us to:</p> <ul style="list-style-type: none"> • Continue Monitoring Revenue and Tax/Fee Exposure in Green Zone jurisdictions • Take no action to register the Company with the relevant governmental regulatory body <p>You agree to refrain from:</p> <ul style="list-style-type: none"> • Billing/Collecting any taxes or fees in any Green Zone jurisdiction 	<p>Per the terms and conditions of your Agreement with The <i>Compliance Group</i>, you agree to:</p> <ul style="list-style-type: none"> • Notify us if you wish to implement compliance remediation and prospective compliance measures in any Yellow Zone jurisdiction • If you do not provide notice and authorization to proceed with compliance remediation, we will continue Monitoring Revenue and Tax/Fee Exposure in Yellow Zone jurisdictions, and will take no action to register the Company with the relevant governmental regulatory body <p>You agree to refrain from:</p> <ul style="list-style-type: none"> • Billing/Collecting any taxes or fees in any Yellow Zone jurisdiction* 	<p>Per the terms and conditions of your Agreement with The <i>Compliance Group</i>, you authorize us to:</p> <ul style="list-style-type: none"> • Implement compliance remediation and prospective compliance measures in any Red Zone jurisdiction <p>Within 30 days, you agree to initiate:</p> <ul style="list-style-type: none"> • Billing/Collection/Remittance of taxes or fees in any Red Zone jurisdiction

- For details on cost, see pricing sheet. -

* TCG cannot condone non-compliance with any lawfully applicable tax, fee, or governmental duty, and disclaims any liability for any violations or penalties assessed as a result of conscious non-compliance in said jurisdictions.

** Pricing excludes: (1) state or governmental fees & expenses including certificates of good standing; (2) post-incorporation, registration requirements such as annual report fees, statement of officers fee or corporate taxes; and (3) remediation of any matter considered pre-requisite to governmental approval or acceptance of filing, such as, but not limited to tax clearance.

MANDATORY DISCLAIMER:

It is imperative for you to understand that, under the law, non-compliance is never acceptable, regardless of the Cost/ Benefit calculus. Thus, we can never advise any company that non-compliance with tax and regulatory obligations is without risk and potentially serious consequences – at any level of revenue. What we do provide are the tools to allow companies to make their own informed compliance decisions by arming them with critical knowledge and analysis of their individual exposure in various jurisdictions. The *Compliance* Group understands that when approaching the issue from a practical, pragmatic perspective, the reality of the risk of exposure arising from non-compliance with regulatory and tax obligations is quite variable. While complete compliance is and should always be your ultimate objective, business realities may dictate taking a more targeted, strategic, phased-in approach to regulatory and tax compliance.

When contrasted with the extreme options of either: (A) spending on prophylactic compliance today that outweighs remediation costs tomorrow; or (B) burying your head in the sand and ignoring your company's compliance responsibilities, our **Compliance Risk Monitoring & Management Service** is the pragmatic and practical solution.

For more information or to subscribe to The *Compliance* Group's services, please contact us at mail@compliancegroup.com or call (703) 714-1302.